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In This Edition

Health Care Reform

Employers Face Massive Changes Under Health Care Reform Law

As the smoke clears from the passage of landmark health care reform legislation, employers are starting to sift through the final provisions and prepare for significant changes.

The Patient Protection and Affordable Care Act, signed by President Barack Obama on March 23, ushers in a swath of changes to employer-sponsored health care plans -- one of the biggest being a new coverage mandate for employers. Starting in 2014, the legislation requires employers with more than 50 employees to offer affordable coverage to their workers or face a tax of $2,000 per full-time worker (although the first 30 employees would be excluded from the count).

In 2013, the law eliminates the employer deductible subsidy under Medicare Part D and places a $2,500 annual cap on flexible spending accounts. In 2014, the law calls for the states to create exchanges to facilitate the sale of plans to individuals who aren't enrolled in an employer's plan and prohibits insurance companies from denying coverage for preexisting conditions.

While many of the law's complex provisions won't become active for years, others will have an effect on employers' plans sooner rather than later. According to an analysis by United Benefit Advisors (UBA), some of these provisions are:

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Immediately

- The federal government provides a tax credit for qualified small employers. This credit is retroactive for premiums paid in taxable years beginning after Dec. 31, 2009. [See article: "Recent Laws Deliver Some Good Tax News"]
- Employers who wish to keep their policy on a grandfathered basis can do so, but only if they make no changes to the plans except for adding and deleting employees and dependents.
- The limit for employer-sponsored assistance for adoptions increases to $13,170, and the credit is extended through 2011.

Plan Years Beginning Six Months After Enactment

- Insurance companies will be prohibited from canceling coverage except in cases of fraud.
- Lifetime benefit limits will be abolished.
- Plans must cover dependents up to age 26. (For grandfathered plans, this applies only to dependents that do not have another source of employer-sponsored coverage until 2014).
- Small businesses that develop wellness initiatives will be eligible for grants for up to five years.
- Plans will be required to cover preventive care at no cost.

The final regulations and disclosure requirements for this new law remains weeks -- if not months -- away, but HR professionals already are pondering the massive impact of this legislation. For many employers, the first step involves figuring out which employees will be covered, said Peter Cappelli, a professor at the Wharton School at the University of Pennsylvania. In a recent column for *Human Resource Executive Online*, Cappelli notes that many provisions "spill over" into other employment areas. "For example, an employer cannot pay for the costs of the mandated health care through reductions in wages," Cappelli writes, "but how will that be assessed in practice? Will any reductions in pay become suspect as a result?"

Most employers harbored serious reservations about the government's plans before it was passed, according to a special health care reform supplement from UBA's 2010 Employer Opinion Survey. The supplement results, released a week before the president signed the bill, found most employers don't expect health care reform to have a positive effect on costs. In fact, 52.3 percent of respondents expect reform to increase costs at a much higher trend, the survey found.

Such attitudes might hint at a possible trend of employers dumping their plans and simply paying the penalty for not covering employees. However, experts warn that this tactic could cost employers more in the end because such a cut would represent a major drop in total compensation for many workers. To keep quality employees, companies would have to bump up salaries, which would increase employers' share of FICA taxes, according to a report in *Business Insurance*.

Termination of a health care plan also would cause employers to lose any wellness tools that could benefit employee productivity in the long term, said Andy Anderson, a partner with Morgan, Lewis & Brokius L.L.P. in Chicago.

Even as employers begin to plot a new course under the umbrella of health care reform,

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some of the provisions may not see the light of day. A number of states have initiated lawsuits aimed at blocking the individual mandate that emerges in 2014, and more lawsuits are likely to follow.

For now, employers might be best served by not making any rash decisions and scouring the law for hidden opportunities, said Wharton professor Arnold J. Rosoff. "Instead of writhing our hands, look at all the ways we can meet the challenge to deliver health care to the population," Rosoff told *Human Resource Executive Online*. "Change brings pain to people who are too heavily invested in the status quo, but it brings opportunity to everybody else."

Taxes

Recent Laws Deliver Some Good Tax News

While some provisions of the recent health care reform law have many employers reaching for the aspirin, tax breaks included in that legislation and in a jobs bill actually spell good news for some companies.

The Patient Protection and Affordable Care Act includes a new tax credit for small businesses. The tax credit is available immediately for qualified companies that pay at least half the cost of single coverage for their employees, according to a report in *PLANSPONSOR*. In a news release, the IRS notes that this credit will be available for employers that have fewer than 25 full-time-equivalent employees paying wages averaging less than $50,000 annually.

The smallest employers -- those with 10 or fewer full-time workers and paying annual wages of $25,000 or less -- can receive the maximum credit of 35 percent of premiums paid in 2010. The maximum credit for tax-exempt companies is 25 percent of premiums paid. In 2014, the maximum credits rise to 50 percent and 35 percent for nonexempt and exempt businesses, respectively.

In addition to the health care reform legislation, a recent jobs bill offers another tax "holiday" for employers. The Hiring Incentives to Restore Employment (HIRE) Act provides a tax break for hiring new employees and offers credits for retaining workers. Employers who hire workers who have been unemployed for at least 60 days can qualify for a 6.2 percent payroll tax incentive (exempting them from the employer's share of Social Security taxes on wages paid March 19 through Dec. 31, 2010).

Employees must be hired after Feb. 3, 2010, and before Jan. 1, 2011, to qualify for this credit. Also, a business can earn a 2011 credit of up to $1,000 for each new qualified worker that is kept on the payroll for at least a year.

Dental Benefits

Plans Aim to Take Bite Out of Overall Health Costs with Targeted Dental Options

In the ongoing quest to control health care costs, some employers and insurance companies are putting their money where their mouths are by educating employees about the overall

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benefits of good dental health.

Several recent studies point to a link between good dental care and improved overall health, especially for pregnant women and those with chronic diseases, according to a report in Workforce Management. A 2009 CIGNA study found that early treatment for dental problems saved thousands of dollars annually for stroke and diabetes patients. Other research suggests a healthy mouth can help protect pregnant women from preterm birth.

CIGNA, Aetna and other insurance carriers have started to emphasize this "mouth-body connection" by creating special intervention programs for at-risk groups. Aetna's plan, for instance, includes 100 percent coverage of vital procedures for enrollees, such as deep cleaning of diseased gums.

These programs place a greater emphasis on dental health in an attempt to stave off costlier health problems down the road. For years, the "mouth-body connection" was discounted by physicians and carriers, said Dr. Doyle Williams, chief dental officer at Delta Dental of Massachusetts. Yet when one considers that the human mouth carries more than 6 billion bacteria and that a person swallows hundreds of times each day, "it's a little easier to understand how gum disease affects the whole body," he said.

The prevalence of gum disease, also called periodontitis, is high in the U.S., with more than one in three adults age 30 and older afflicted, according to the American Academy of Periodontology.

Still, evidence that a healthy mouth leads to lower health costs is not clear cut, said Dr. Miles Hall of CIGNA Dental.

"I'll be very frank: The studies that are out there show a strong association," Hall told Workforce Management. "At this point, they do not necessarily show a causal relationship. But it's significant enough that we took a step to be proactive about it. We think that the right thing is to treat that gum disease and to remove financial barriers."

Even with more support from insurance companies, employers face a number of challenges in cleaning up their workers' mouths. Often, employers use different carriers for medical and dental benefits, which can complicate coordination of these programs.

However, Williams noted that dental-only plans can effectively target all employees, not just at-risk groups, which can improve rates of prevention and cost savings for the whole workforce. This approach means the medical benefits of dental hygiene are in place before someone becomes pregnant or develops a condition such as diabetes, Williams said.

Regardless of the "mouth-body connection," employers see real value in offering dental benefits, a recent study by Wells Fargo shows. Despite current economic pressures, 97 percent of employers polled made no reductions to their dental plans in 2010.

In Brief

DOL POSTS CHIP NOTICE

The U.S. Department of Labor has posted a model notice that some employers must distribute as early as May 1. The notice informs workers of possible state assistance through the Children's Health Insurance Program (CHIP) or Medicaid.

To view the form and learn what states offer CHIP/Medicaid assistance, visit http://www.dol.gov/ebsa/chipmodelnotice.doc.

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BUSINESSES STICK WITH VALUE-BASED DESIGN

Employers who have adopted value-based design in their benefit plans are sticking with the model, according to a poll by Buck Consultants. Among respondents who have melded value-based design into their plans, 79 percent made no changes in 2009, and more than half of those companies do not anticipate a change in 2010. Eighty-seven percent of respondents use value-based design in their wellness programs, and 80 percent use the design for disease management, the study found. Value-based design creates incentives for employees, doctors and insurance companies to adopt the use of high-value services, healthy lifestyle habits and use of providers who adhere to evidence-based treatment guidelines, according to the National Business Coalition on Health.

GENERICS FUEL JUMP IN DRUG SALES

Sale of prescription drugs in the U.S. rose to $300.3 billion in 2009, an increase of 5.1 percent from the previous year, according to a report by IMS Health. Of all drugs sold, generic drugs dominated, with 75 percent of all sales coming from generics -- up from 57 percent in 2004, the study found. While the number of drugs given to new patients slipped 1 percent, the number of prescriptions for people already being treated jumped nearly 2 percent, the report showed.

MORE COMPANIES GO FOR PTO

More employers are using paid-time-off (PTO) banks instead of traditional vacation and sick days, according to a survey by BLR. Fifty-four percent of respondents said they use a PTO system compared with 43 percent in 2007. Nearly three-quarters of those polled allow employees to carry over PTO days into subsequent years, BLR said.

PAPER IS OUT FOR ENROLLMENT

The number of employers relying on paperless enrollment has leapt 165 percent over the past five years, according to new research by Guardian. Forty percent of employees now are using computer-only methods to enroll compared with 12 percent five years ago, and 61 percent are using a computer in at least a portion of the enrollment process.

GOOD OR BAD: WORKERS CRAVE FEEDBACK

A new study by Gallup found that employees would rather have negative feedback than no feedback at all. Thirty-seven percent of employees said their bosses concentrate on strengths when giving feedback and 11 percent said the feedback was negative. A quarter of respondents said they were "ignored" by their managers. Sixty-one percent of those in the "strengths" group said they were engaged in their jobs, and 45 percent of the "negative" group said they were engaged. However, only 2 percent of the "ignored" employees said they were highly engaged.

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